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time buyers and users in Sinkiang admit not only the wearing quality of Soviet textiles but the ruggedness of Russian trucks, which truck drivers in Sinkiang and Northwest China consider superior to American trucks for rough work. 439

In recent years, the Soviet financial policy of enhancing the buying power of Sinkiang has taken the form of granting a 20 per cent premium in barter deals involving exchange of Sinkiang raw materials for Soviet manufactured goods. An actual example is a contract in which one package of Soviet-made cigarettes was made the unit of exchange for one catty (about 1.3 lbs.) of Sinkiang wool, at a time when the prevailing prices in Sinkiang were 8.40 Sinkiang dollars for a package of Soviet-made cigarettes and 7.00 Sinkiang dollars for a catty of wool.

In concluding this chapter, it should be said that in the year 1948 economic life in Sinkiang was in full crisis. Trade with the Soviet Union had practically ceased, and inflation within the province had become malignant. A little historical background must be sketched in to make the situation understandable. 436 457 458

The old Tsarist Russian ruble was formerly accepted in Sinkiang, and was in fact preferred to Chinese currencies. Branches of the Russo-Asiatic Bank operated in Urumchi, Kashgar, Kulja, and Chuguchak; they financed foreign trade, and provincial funds were placed on deposit with them. In 1913 the Russian ruble exchanged for eight Urumchi taels. In 1917, with the Russian Revolution, the ruble fell to .53 taels but did not collapse completely because all branches of the Russo-Asiatic Bank outside of Russia were taken under French protection and managed to keep operating for some years. By 1919, however, the old ruble was worth only .10 taels. A year or two later it was utterly worthless, while the new Soviet currency was suspect and unwanted.

A multiple provincial currency, sponsored by the Chinese Governor, Yang Tseng-hsin, then became the medium of trade and account, as described in Chapter III, by the Governor's policy of never issuing paper to the value of more than 20,000,000 taels. At the same time he allowed a number of taxes, including the land tax, to be paid in money instead of in kind. Money thus

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436 457 458 came back into the treasury as well as going out, and inflation was avoided.

In this period the Governor allowed trade with the Soviet Union to be opened. It was carried on at first chiefly by Moslem traders, many of them Russian-born Tatars. They took goods across the Soviet frontier and sold them to the Soviet state purchasing agency, and then bought goods from state commercial agencies and returned with them to Sinkiang. Then, in 1926, the Governor allowed the Soviet-Sinkiang Trade Agency, or Sovsintorg, to begin business with offices of its own established in Sinkiang. Trade and prosperity recovered until the assassination of the conservative old Governor, who had been an able administrator, in 1928.

A new period then began, which lasted until 1934. This period was marked by the Moslem insurrections, the invasion of Chinese Moslems from Kansu, and finally the Soviet intervention — which have already been described in Chapter III. The important oases of Komul, Khotan, and Kashgar withheld their taxes from the provincial treasury, which thereupon resorted to the printing of money. The devaluation of Sinkiang currency was rapid. In 1928 it had taken only three Urumchi taels to buy a Chinese dollar; by 1934 it took forty.

In 1934 Sheng Shih-ts'ai, with Soviet support, became the successful contender in the provincial civil war. Trade with the Soviet Union was restored, but it took some years to stabilize the currency. Then, in 1939, a new inconvertible paper currency was issued by the Provincial Commercial Bank as the only legal tender in the province. It is generally believed in Sinkiang that the success of this monetary reform was made possible by loans without interest from the Soviet Union.

In 1942, however, Sheng Shih-ts'ai came to the conclusion that the Soviet Union would either be defeated by Germany or would not recover its former power. Hitherto he had pursued a reform policy, both political and economic. From this time on, he began to combine printing-press inflation with trade monopoly and the

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ollection of the land tax and livestock taxes in kind, refusing for 436
.e receipt of taxes the money issued by his provincial treasury. 457
He had already set up a Provincial Trading Company, which was 458
is personal agent in business; but up to this time it had com-
eted with private trade. In Kashgar, for instance, it handled only
bout 28 per cent of the trade, less than the proportion handled
y an Uighur firm called "Ittifatsherket." In 1942, however, a
monopoly of provincial trade was granted to the Provincial Trading Company, which operated on a capital of 2,500,000 United States dollars. Through this company the Governor purchased wool, livestock, cotton, furs, and other products at compulsory prices lower than the market prices, transported them on his own trucks, and sold them to Sovsintorg in exchange for Soviet manufactures. Until 1943 raw materials, though bought at compulsory prices, were paid for in manufactured goods; but further inflationary pressure was then created by paying for such purchases only partly in goods and partly in paper money. The Khotan branch of the monopoly, for instance, paid only 15 per cent of the price of furs and 20 per cent of the price of silk and cocoons with manufactured goods. The abuses of this monopoly caused so much discontent that General Chang Chih-chung was compelled to liquidate the company in 1946.

A new period began in 1943. Governor Sheng, having miscalculated the strength of the Russians, was cold-shouldered by them and had to come to terms with the National Government. The already badly inflated currency of the National Government began to pour into the province, adding to the existing provincial inflation. In 1943 the Provincial Commercial Bank alone was receiving national currency notes at the rate of a million dollars a day. The price index of wheat flour, taking June 1940 as 100, had already increased to 865 by December 1942. In 1945 it jumped to 75,000 and by September 1947 it was 517,500.

Inflation was compounded with other critical developments, 178
some of which had been long maturing, to form an explosive situ- 458
ation. In the first place, there has been a large increase of popula- 47

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tion. Less than forty years ago the population of Sinkiang was registered at 2,003,931.[31] The latest official figures give 3,730,051. Neither figure has the reliability that is demanded of statistics in advanced countries, but it is probably true that the population has increased by at least a third and perhaps more. This increase means more peasants on the land in the oases, more who are willing to settle as colonists in nomad territory thereby increasing friction with the nomads, and more who migrate every summer as seasonal laborers from the Tarim oases to Jungaria and even into the republics of Soviet Inner Asia.

Pressure on the land has had a number of bad effects. Peasants are compelled to plant all land every year, leaving none fallow. As a result, one village sampled in the Yarkand oasis showed a decrease in the yield of wheat from fifteen-fold to only five-fold. The example may be exceptional in its severity, but it is representative of a trend.

Pressure on the land also aggravates the problems of land tenure. Increasing trade, especially trade with Russia since 1890, speeded up the change from diversified, self-sufficient agriculture to commercialized agriculture. After 1884 the old *mulkdar* or feudal landholders, who had been exempt from taxes, were compelled to pay a land tax to the Chinese provincial authorities. These two trends together caused money standards to supersede the old standard of hereditary status. The landholder with feudal rights called "the Beg," a term of aristocratic connotation, began to be replaced by a new class called *bai* — a term meaning simply "wealthy," a curious parallel to "plutocrat," which began to come into general use in England in the period of rapid social change marked by the Reform Bill of 1832. The parallel is made closer by the fact that many new *bais* were former Begs, just as in England many new directors of joint stock companies were holders of old landed estates.

[566] The condition of the peasant is governed by the fact that while he lives in a system which is increasingly penetrated by money values, he is also bound down by strong survivals of the old order

[31] Wang Shu-nan, *Hsinchiang T'u Chih*, Ch. 1, pp. 5–7.

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of things, such as the obligation to render labor services to his landlord. In money values, it was calculated in 1943 that the earnings of an agricultural laborer in Khotan for a full year were equivalent only to the value of one twelfth of an acre of medium-grade land. Share rents, however, dominate the lives of most peasants. If the landlord supplies only the irrigation water, the peasant must deliver to him half of the crop. If the landlord also supplies working animals, seed, and implements, he receives two thirds or more of the crop. As, in addition, taxes and other assessments sometimes amount to as much as one third of the crop; the peasant not infrequently has no legal claim to anything whatever at the end of the year, and is dependent on what the landlord thinks it necessary to leave him to keep him alive. This dependence of the peasant on the landlord takes the form of a debt which gives the landlord full control.

The economic crisis in Sinkiang is, in fact, a crisis of interacting and steadily mounting pressures, with no safety valves to give a margin for adjustment.

The exploitation of mines and of industry based on minerals would not automatically solve the agrarian problem. The experience of China has shown that if there is no agrarian reform the agrarian crisis gets worse, not better, in the near neighborhood of industrial centers like Shanghai; and at the same time urban labor, instead of creating a higher standard of living, finds its standards undermined by the rural unemployed. In Sinkiang, as everywhere else in Asia, a higher standard of living on the farm could improve buying power and give an impetus to industrialization; but industrialization alone cannot put an end to the agrarian crisis.

S 159 669 648 631 military commander of the Nationalist forces in Sinkiang. He further hinted that he might be in a position to persuade Russian authorities to render help for developing Sinkiang under Chang's leadership. Thereupon Chang Chih-chung recommended Burkhan as a member of the State Council of the Nationalist Government in Nanking, and sent him to Nanking to negotiate with the Soviet ambassador. By December 2, 1948, a secret agreement was reached between Burkhan, as personal representative of Chang Chih-chung, and the Soviet ambassador. The prerequisite of the secret treaty was the removal of the Nationalist commander, Sung Hsi-lien. The important clauses included closer cooperation between Chang Chih-chung and the Chinese Communist Party for the purpose of liberating Sinkiang, and in return, the government of the Soviet Union would give assistance toward reconstruction of Sinkiang. Chang had no choice but to remove both General Sung Hsi-lien and Governor Maksud, and recommend Burkhan as governor of Sinkiang. On December 31, 1948, the Central Government formally appointed Burkhan.

S 159 648 631 On January 10, 1949, Burkhan officially took over the office. In his open letter to the peoples of Sinkiang, Burkhan stressed the pro-Russia attitude of General Chang Chih-chung. When Chang called a conference of the political and military chiefs in the Northwest, rumors spread that Sinkiang would be given to the Soviet Union or was preparing to surrender to the Communists. When Burkhan returned from the conference he denied all these rumors. By March 1949, the entire situation in the interior of China had made a drastic change. In Sinkiang, prices had

S [458] become extremely high. Burkhan proclaimed his policy of economic self-sufficiency in Sinkiang by issuing silver dollars and silver dollar notes as the new currency and discontinuing use of National gold yüan notes. In May of the same year, Burkhan extended the Sino-Russian Aviation Pact for another five years.

S 159 668 669 631 In the meantime Manchuria had been taken by the Communists, and the whole of north China was also put under the control of the Communists with the surrender of General Fu Tso-i, while in Central China, a Soviet regime was also formed. Generalissimo Chiang Kai-shek announced his retirement from his presidency, and General Li Tsung-jen, vice-president of the Nationalist Government, took over the power and began to negotiate peace with the Communists.

N * [668] [669] In July, 1949, the Communist troops had begun to move into Kansu Province. On September 23, 1949, the Communist general, Wang Chen, received the surrender of the Nationalist troops at Chiu-ch'uan, Kansu Province. On September 25, two days after the surrender, Burkhan, together with the commander of the Nationalist troops in Sinkiang, cabled to Peiping to announce their severance of relationship from the Nationalist